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DEPT FOR EUR/AGS, INR/EU, AND EUR/PPD FOR YVETTE SAINT-ANDRE

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SUBJECT: AUSTRIAN MEDIA HIGHLIGHTS: October 18, 2006

Coalition Talks Continue

¶1. The OeVP and the SPOe met on Tuesday for their second round of talks on forming a new coalition government. Although the two parties' negotiation teams addressed key topics at yesterday's meeting, they continue to be divided on a number of issues. While some Austrian media believe the talks are an indication a grand coalition may soon be a done deal, other newspapers report of a "poisoned climate" at the talks. Like all Austrian media, semi-official daily Wiener Zeitung says the two parties at their meeting on Tuesday agreed on a joint checking of the finances by October 27, when the next round of talks will be held. The SPOe and the OeVP have also said they want to discuss the key issues on the agenda, and have set up ten negotiation sub-groups, which are to start working this week. Mass-circulation tabloid Kronen Zeitung writes political observers in Austria are

confident that it will be clear by mid-November whether the Social Democrats and the Conservatives will, indeed, form a grand coalition. In contrast, independent provincial daily Salzburger Nachrichten believes the "poisoned atmosphere" between the SPOe and the OeVP, marked by competition and squabbles over positions to be distributed, will likely paralyze the coalition talks.

Pressure on OeVP

¶2. Speaking to an Austrian daily, Vienna Mayor Michael Haeupl is urging the OeVP to start working seriously on forming a grand coalition, which he believes is the "only real option." Otherwise, Haeupl said, the "only logical consequence is a rerun of the general elections."

Vienna Mayor Michael Haeupl (SPOe) is demanding "constructive work" from the Conservatives, mass-circulation daily Kurier writes. Austria's two leading parties, the SPOe and the OeVP, "will have to find a way to cooperate. If the people in the OeVP do not want to do so, they should just leave it, and then we'll have a rerun of the general elections," Haeupl told the Kurier. The Vienna Mayor also criticized the Conservatives for their recent attack on President Heinz Fischer: Leading OeVP members had complained that Fischer had not given a statement on the controversial Eurofighter purchase contract, despite the fact that he had read it, and had labeled the President a "dyed-in-the wool Social Democrat who can't wait to install an SPOe chancellor."

The Eurofighter Controversy Continues

¶3. The former chief strategist of the Austrian armed forces, Gerald

Karner, told an Austrian weekly that a cancellation of the Eurofighter purchase deal would cost the country four billion Euros until 2012.

Pointing out the high costs of a contract cancellation, the Austrian military expert cautioned against abandoning the Eurofighter purchase deal, semi-official daily Wiener Zeitung writes. Gerald Karner believes that Austria would "lose its reputation and its money," should the government back out of the deal. Such a move, he argues, cannot be in the political interest of the SPÖ. The Greens, however, remain opposed to the Eurofighter jets, and will table motions for the cancellation both of the purchase deal and the financial authorization for the purchase of the interceptors from the 2003 budget legislation.

EU-US Plan to Save the Ozone Layer

14. California Governor Arnold Schwarzenegger is calling for a trans-Atlantic initiative to combat global warming by limiting industrial emissions. The plan would involve California, the member states of the European Union, as well as seven other US states. According to semi-official daily Wiener Zeitung, the plan calls for setting up a system whereby the parties involved could trade, buy or sell industrial emission credits as regulated under the terms of the Kyoto Protocol. Reducing admissions was a key part of the agreement, but the Bush administration withdrew from efforts to implement Kyoto in 2001, a move that strained US-EU ties. The environment and rising fuel prices are some of the issues dominating the Austrian-born California governor's bid to be re-elected next month, when a referendum on a proposed new gasoline tax will also be on the ballot. Schwarzenegger opposes such a tax, which has the public support of former president Bill Clinton and former Vice-President Al Gore, the daily says.

North Korea Warned against 2nd Test

15. The regime in Pyongyang is apparently preparing yet another nuclear test. Both North Korea and the US are meanwhile accusing each other of carrying out "belligerent acts" in the conflict over North Korea's nuclear program. Meanwhile ORF radio early morning news Morgenjournal says that US Secretary of State Condoleezza Rice is on her way to East Asia to

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discuss how to fully impose UN sanctions on North Korea. However, according to commentator for mass circulation tabloid Oesterreich Patrik Volf, "US nuclear policy has reached its end." He says it "took barely a week for both sides to reach the stage of using the word 'war' in their statements. North Korea views the UN Security Council's decision (to which its key ally China agreed) a 'declaration of war,' while the US regards a possible second nuclear test as 'an act of war.' Iran, the next rising nuclear power will have to carefully watch this game, because the US statements are by no means directed against North Korea exclusively. They mark any further development in the nuclear conflict at the Persian Gulf where limits are to be drawn. This means for North Korea: The US cannot move towards the negotiation table, because that would be a clear signal to Iran: You are only a partner if you have nuclear weapons."

Iran Sanctions Possible

16. In the dispute over Tehran's nuclear ambitions, the EU no longer expects a diplomatic solution. UN measures against Iran are "unavoidable," according to German Foreign Minister Frank-Walter Steinmeier.

Centrist daily Die Presse reports that at their meeting in Luxembourg yesterday, the EU foreign ministers are pushing for "sanctions being imposed gradually." Spain's Under Secretary for the EU Alberto Navarro pointed out that unlike the US, Europe is dependent on Iranian oil. Nonetheless, the UN Security Council could make a preliminary decision on sanctions, aimed primarily at the country's nuclear industry, as early as next week, the daily says. Measures could include trade restrictions on technical supplies, as well as a freeze on contacts with Iranian scientists and on investments in Iran's nuclear industry.

Stay the Course - or Do an About-Face?

17. Middle East expert and former Austrian envoy to Iraq Gudrun Harrer says in an analysis of the situation in Iraq that the current escalation of violence in the country is reinforcing doubts whether the Iraqi government will ever be in control. Gudrun Harrer, foreign editor for liberal daily Der Standard and Austria's former special envoy to Iraq, writes that although no-one seems to have a solution for the ongoing problems in Iraq, George Bush's mantra of "staying the course" is beginning to sound a lot like wishful thinking, and the question of its implementation will likely not be decided in Washington or Baghdad's Green Zone, but in the Iraqi capital's streets. It is high-season for forecasts on the development of Iraq, as well as for American exit strategies, which are increasingly put forward not only by the opponents of the war and by the more creative journalists, but also by at least partly official sources, Harrer says. Now, statements, as for example by US Ambassador to Iraq Zalmay Khalilzad, stating that Iraqi Premier Nuri Al-Maliki has two months time to get things under control, seem to suggest the US might take steps otherwise.

For full text in German go to: <http://derstandard.at/> --> Politik
--> International --> Nahost --> Irak --> "Kurs halten oder das
Steuer herumreissen"
McCaw